TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 354 – HB 555

March 29, 2011

SUMMARY OF BILL: Creates a new program, referred to as the Tennessee Entertainment Industry Investment Act, to be administered by the Department of Economic and Community Development (ECD) and the Tennessee Film, Entertainment and Music Commission (TFEMC), for the purpose of encouraging qualified production companies to use the State of Tennessee as a site for film production and for developing and sustaining a workforce and infrastructure for film, digital media, and entertainment production. Defines multiple terms related to television and film production. Authorizes certain qualified production companies multiple tax credit opportunities based on the extent of qualified expenditures made in Tennessee while working on certified and qualified production projects. Requires ECD to work in conjunction with the Department of Revenue (DOR) for the purpose of administering authorized tax credits. Establishes expenditure threshold requirements for qualified production companies in order to become eligible for the authorized tax credits. All tax credits issued shall be used against taxpayer liabilities for sales tax, franchise tax and excise tax. Tax credits will be issued on a first-come, first-served basis and will be limited in the aggregate to $15,000,000 for FY11-12, $35,000,000 in FY12-13, and $25,000,000 in each FY13-14, FY14-15, and FY15-16. Authorizes the transfer of tax credits under certain circumstances. This Act shall be repealed on July 1, 2015. Authorizes tax credits which are certified prior to July 1, 2015, to be used after July 1, 2015, if certain conditions are met.

ESTIMATED FISCAL IMPACT:

Decree State Revenue - $15,000,000/FY11-12
$35,000,000/FY12-13
$25,000,000/Each year FY13-14 through FY15-16

Increase State Expenditures - $127,900

Assumptions:

- According to ECD, two Accountant 3 positions will be required for the TFEMC to carry out the provisions of this bill. A recurring increase in state expenditures of $97,000 ($70,800 for salaries and $26,200 for benefits).
- There will be additional recurring state expenditures for operational costs of the TFEMC estimated to be $30,900 (for materials, supplies, travel, communications, and other).
- The total recurring increase in state expenditures will be $127,900 ($97,000 + $30,900).

- Based on information provided by DOR, the tax credits which are authorized in the aggregate will be certified, issued, and utilized by qualified production companies. As a result, the decrease in state revenue will be $15,000,000 in FY11-12, $35,000,000 in FY12-13, and $25,000,000 in each FY13-14, FY14-15, and FY15-16.
- There may be secondary economic impacts resulting from this legislation as qualified production companies come to Tennessee for working on certified and qualified productions. However, these secondary impacts are dependent upon multiple unknown and offsetting factors. As a result, any such secondary impact cannot be reasonably quantified for the purpose of this fiscal note.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director

/rnc